

Cc: Shari Yeatts[syeatts@hickmanseggs.com]
To: Jim Manos[jmanos@hickmanseggs.com]
From: Chan, Janice
Sent: Wed 5/11/2016 10:28:08 PM
Subject: RE: Value Added

Hi Jim,

Thank you for speaking with me by phone this morning. To verify what we agreed to do based on our discussion, I am reiterating what we agreed to do for the time being as we determine how to gather information to help us come to figures for value added to each distinct product ultimately sold and distributed by Hickman from the Arlington and Tonopah facilities.

We agreed that you will provide the 2015 summary tables for distinct products sold or distributed from Tonopah and Arlington. The only product I am aware of coming out of Tonopah is shell eggs (not sure whether they are organic or conventional eggs - please verify if necessary), while products coming out Arlington are shell eggs (organic and conventional), liquid eggs, hard cooked eggs, and fertilizer (of various types). We agreed that the tables would include the amount produced by each facility (where possible), the total quantity of the product sold, the amount the products sold for, and where possible the amount of eggs coming from licensed farms that are ultimately added to the shell eggs, liquid eggs, and hard cooked eggs.

I am aware that you already informed me that there is no way to separate the amount of eggs that came from licensed farms and into the final products ultimately sold by Hickman. However, we agreed that I could perhaps try to figure that out by doing some math. That said, if you could provide to me any documents, such as purchase orders, invoices or accounting forms which show the quantity of eggs purchased by Hickman for Tonopah or Arlington from any of the license farms during 2015 for the 2015 production year, I would appreciate it. I can put some effort into doing the arithmetic to come up with a rough estimate for value added to each egg product.

As for fertilizer, we agreed with could base the amount of manure coming from Tonopah to Arlington based on the number of chickens at Tonopah versus Arlington, and the total amount of fertilizer produced and sold in 2015. That should give an annual estimate for 2015. I understand that the number of chickens at each facility has been constantly changing. So if you could provide the number of chickens what each facility was estimated (perhaps based on each facility's barns and permit at the time) to have during each month in 2015, I would appreciate it. Please also provide the total amount of fertilizer produced and sold for 2015. Based on this information, I can come up with a rough estimate for the value added to manure to make fertilizer.

Shari, if there is anyone else who may be able to assist in the process and answer questions, please let me know. Thank you.

I'll let you know if I have any additional questions.

Thank you,

Janice

From: Jim Manos [mailto:jmanos@hickmanseggs.com]
Sent: Monday, May 09, 2016 1:26 PM
To: Chan, Janice <Chan.Janice@epa.gov>
Cc: Shari Yeatts <syatts@hickmanseggs.com>
Subject: Value Added

Janice,

I understand what you are saying, in concept at least. I just am not sure that how we track items will help you get where you want to go. We buy a lot of eggs. Some end up being broken and turned into liquid. Some are hard cooked and some are repackaged and sold as shell eggs. We don't keep track of these purchases by end use. And there really is no way of doing so. There are certainly some that we buy with the intention of breaking or cooking the, There are eggs we buy with the intention of repackaging that end up being broken or cooked. And eggs we produce may be packed in cartons and sold as shell eggs or they may end up being broken. I have no way of going back and saying that of the 300,000 pounds of liquid we sold last week, 280,000 pounds were produced from eggs we produced, 10,000 was from eggs we purchased with the original intention of selling as shell eggs in cartons and 10,000 was from eggs we purchased specifically to break. That said, I will give you some numbers and see if that helps. All are for the period 12/1/15 through 3/31/16.

We sold 75k dozen eggs as shell eggs for \$125.7 million net.

We produced 60k dozen eggs

We spent \$6 million on shell egg packaging

We sold \$4.5 million in liquid eggs

We sold \$1.5 million in Hard cooked eggs

We sold \$2 million in fertilizer

We had in costs of liquid sales, \$6.5 million. That would include labor, utilities, packaging as well as an imputed cost of eggs transferred

We had \$1.8 million in costs of hard cooked eggs, including transfer price of eggs and all other

operating costs.

We had \$1.3 million in costs of fertilizer sales

We purchased about \$50 million of eggs. Included in this number would be conventional shell eggs for resale and for liquid and hard cooked and most of the specialty eggs we sell

On the eggs we produce, packaging adds about \$.12 per dozen, depending on the type of packaging. Cartoned eggs have more expensive packaging than do overwrap eggs. And a lot of the eggs we buy, we buy already packaged and this skews the price of packaging per dozen sold down as the packaging is built into the price we pay. Freight is similar. Some eggs we purchase include the freight, others don't. Some are shipped directly from our supplier to our customer so the freight is hidden.

The final aspect of our industry that makes things difficult is that the price we sell at, our value as it were, has nothing to do with our costs. It is not like we can take the costs we incur getting our eggs ready to market, add a factor, and arrive at a sales price. Our price is based off a nationally quoted market that does not take into account the costs of production.

If you would like to discuss this, please call me at 623-872-2315.

jim